GOVERNMENT OF INDIA
MICRO,SMALL AND MEDIUM ENTERPRISES
LOK SABHA

STARRED QUESTION NO:245
ANSWERED ON:20.03.2017
Contribution of MSME in Defence Production
Hay Prof. Richard

Will the Minister of MICRO,SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether the Government is planning to boost Micro, Small and Medium Enterprises (MSMEs) Sector's contribution towards indigenous manufacturing in defence sector under 'Make- in- India' Programme in the country; and

(b) if so, the details thereof including the target fixed in this regard along with its present percentage of contribution, State/UT-wise?

Answer

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES
(SHRI KALRAJ MISHRA)

(a) &(b): A Statement is laid on the Table of the House.

Statement referred to in reply to Parts (a) and (b) of the Lok Sabha Starred Question no.* 245 for reply on 20th March 2017.

(a) & (b): Make in India initiative launched in September, 2014 aims to promote India as an important investment destination and a global hub for manufacturing, design and innovation. It also envisages to ease the investment caps and controls and to open up India's industrial sectors to global participation. Department of Industrial Policy and Promotion, Ministry of Commerce and Industry is the coordinating agency for implementing the Make in India initiative. Defence manufacturing is one of the twenty five sectors identified for Make in India programme. Ministry of Defence has framed the Defence Procurement Procedure (DPP) − 2016 which aims at enhancing the role of Micro, Small & Medium Enterprises (MSMEs) in the defence sector. Following specific provisions have been introduced in DPP-2016 that would increase the participation of MSMEs in the defence sector:
I. In the 'Make' category of capital acquisition, Government funded projects with estimated cost of prototype development phase not exceeding Rs. 10 crore and Industry funded projects with estimated cost of prototype development phase not exceeding Rs 3 crore are reserved for MSMEs.
II. In addition, it has been mandated to involve MSME associations while carrying out feasibility studies for 'Make' projects. MSMEs have also been granted relaxation in the registration and profitability criteria for consideration as eligible "Indian Vendor" for participation in the 'Make' projects.
III. In the discharge of offset obligations, a multiplier of 1.50 will be permitted where MSMEs are Indian Offset Partners (IOPs).

The Ministry of MSME has also notified Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012, under which a minimum of 20% of the total annual procurement is made mandatory from MSEs by Central Ministries/Departments/PSUs with effect from April 1, 2015. This also includes Ministry of Defence and its Central Public Sector Enterprises. Further, 358 items have been reserved for exclusive procurement from MSEs. The policy also provides for MSEs to be issued tender set free of cost and exemption from the payment of earnest money. In the tendering process, participating MSEs quoting price within price band of L1+15% is also allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a MSE.

At present, there is no specific scheme being implemented by the Ministry of MSME to boost Micro, Small and Medium Enterprises (MSMEs) sector's contribution towards indigenous manufacturing in defence under the "Make in India" programme. However, there are various schemes being implemented by the Ministry of MSME such as National Manufacturing Competitiveness Programme, MSE Cluster Development Programme and Technology Centre Systems Programme for promotion and development of MSMEs across various sectors including defence.